



**COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER**

KENNETH HAHN HALL OF ADMINISTRATION
500 WEST TEMPLE STREET, ROOM 525
LOS ANGELES, CALIFORNIA 90012-2766
PHONE: (213) 974-8301 FAX: (213) 626-5427

J. TYLER McCAULEY
AUDITOR-CONTROLLER

August 26, 2004

TO: Supervisor Don Knabe, Chairman
Supervisor Gloria Molina
Supervisor Yvonne B. Burke
Supervisor Zev Yaroslavsky
Supervisor Michael D. Antonovich

FROM: J. Tyler McCauley 
Auditor-Controller

SUBJECT: **ADVANCED BUILDING MAINTENANCE CONTRACT REVIEW**

At the request of Supervisor Molina's Office, we have reviewed Advanced Building Maintenance's (Advanced) compliance with its County contracts and the County's Living Wage Ordinance, and investigated allegations of labor violations against Advanced made by current and former employees. Our review included interviewing Advanced employees and management, and discussions with County departments who contract with Advanced. We also examined Advanced's payroll and other related records.

Advanced has a total of ten contracts totaling \$3.1 million with the Public Library, Probation, Internal Services Department and the Department of Public Works for custodial services. \$2.5 million of Advanced's contracts are with the Public Library. Advanced has approximately 50 full-time employees to service County facilities.

Review Summary

Our review indicates that Advanced is not complying with certain State Labor Codes, some County contract requirements and the County Living Wage Ordinance (LWO). For example, we noted instances where Advanced did not pay its employees overtime or pay its employees the LWO rate for all hours worked. In addition, Advanced does not maintain employee time records as required by the State Industrial Welfare Commission and does not appear to perform all of the services required by the County contracts. It should be noted that Advanced declined to provide us records of their non-County related payroll, and therefore, we could not review one allegation.

Based on the results of our review, we recommend the four Departments who contract with Advanced work with County Counsel to develop a plan to terminate the contracts, identify replacement contractors and initiate debarment proceedings. It should be noted that \$2.5 million (80%) of the County's contracts with Advanced are with the Public Library and those contracts expire in early October 2004. As a result, replacement of the Advanced contracts should be targeted to take place no later than the October 2004 expiration date.

Details of our review are discussed below.

Allegations and Findings

Allegation 1

Advanced employees alleged that the company did not pay overtime to employees who worked more than eight hours a day.

Findings:

The State Labor Code requires employees who work in excess of eight hours a day to be paid time and a half. Employees who work more than 12 hours in one day are to be paid double time. For County contracts, contractors should pay overtime pay based on the County's Living Wage of \$8.32 per hour for employees who receive health benefits or \$9.46 per hour for employees who do not receive health benefits.

We attempted to determine if Advanced was paying its employees properly for overtime. As discussed later in this report, Advanced does not have adequate time records for most of its employees. As a result, we were only able to review the overtime records for Advanced's specialty crew employees who perform floor waxing and other non-routine work. We reviewed a two-week payroll period for ten specialty crew employees and noted that Advanced paid the employees the straight-time Living Wage rate for approximately 42 hours of overtime, including two hours that should have been paid at the Living Wage double-time rate.

Conclusion:

Advanced did not always pay their employees the overtime rate for overtime worked.

Allegation 2

Advanced employees alleged that some employees were paid for overtime hours at a lower rate and were paid those hours with a separate check payable under a different name.

Findings:

Advanced declined to allow us access to the records needed to evaluate this allegation. Specifically, Advanced declined to allow us access to payroll information for their employees who work on non-County assignments. Since the separate checks could have been payable to a County or a non-County Advanced employee, we could not evaluate this allegation.

Conclusion:

Advanced declined to allow us access to the records necessary to evaluate this allegation.

Allegation 3

Advanced did not pay employees for time spent traveling between job sites.

Allegation 4

Advanced did not pay its employees the Living Wage rate for travel time.

Findings:

The State Division of Labor Standards Enforcement requires employees be paid for travel time. The County Office of Affirmative Action Compliance (OAAC) indicated that contractors should pay their employees the Living Wage rate for time spent traveling between County facilities.

We reviewed the time records for the same ten specialty crew employees discussed in Allegation 1 and noted that the ten employees were not paid the Living Wage rate for a total of 21 hours of travel time, ten hours of straight time and eleven hours of overtime. Advanced management indicated that when they pay travel time, they pay it at the non-Living Wage rate. Advanced should pay employees who work on County contracts the appropriate Living Wage rate for travel time.

We will work with OAAC, ISD, and County Counsel to ensure that the LWO specifically requires County contractors to pay the Living Wage rate for travel time.

Conclusion:

Advanced did not pay its employees the Living Wage rate for travel time.

Allegation 5

Advanced does not perform all required work at County facilities.

Findings:

We tested Advanced's compliance with the requirements in the Public Library (Library) contracts. The Library contracts require specialty tasks such as floor waxing, carpet shampooing and window cleaning to be completed periodically throughout the year. Advanced provides the Library with a yearly Major Cleaning Schedule indicating the specialty tasks to be completed during the year.

Advanced schedules and tracks completed specialty tasks on documents called wax tickets. Wax tickets indicate the County facility, the task(s), the employee(s) doing the work and the time spent. When a task is completed, Advanced is supposed to send the Library a completion form to certify the completion of the task(s). Library staff are supposed to sign and date the form acknowledging that the work was completed and the date the work was completed on the Major Cleaning Schedule.

We reviewed 51 specialty tasks that were supposed to be completed between October 2003 and March 2004 at nine County Libraries. For 23 of the 51 tasks (45%) reviewed, there were no wax tickets or signed completion forms indicating the tasks were completed. In addition, our review of the Library's 2003 Major Cleaning Schedule indicated that 199 of the 615 tasks (32%) required to be completed in 2003, were not completed. Advanced management indicated that had they known they were expected to comply with all of the requirements in the Library's contract, they would have bid a higher amount.

Based on the results of our review, we will work with the Library to ensure they are properly monitoring their housekeeping contracts.

Conclusion:

Advanced does not appear to be performing all of the work required by the Library contracts.

Allegation 6

Advanced did not provide employees with the required training and protective equipment for working with toxic chemicals.

Findings:

We interviewed Advanced management and four Advanced employees to determine if the employees are given the training and protective equipment necessary to safely complete their jobs. Both management and the employees indicated that Advanced

provides all the necessary training and protective equipment including gloves, masks, and back braces.

Conclusion:

It appears that Advanced is providing its employees with the training and protective equipment necessary to safely complete their jobs.

Allegation 7

Advanced did not give employees required meal and rest periods.

Findings:

We interviewed Advanced management and four Advanced employees to determine if employees are given their required meal and rest periods. All four employees indicated that they receive lunch breaks, but do not receive their rest breaks. Advanced management indicated that all of their full-time employees receive a one-hour lunch break after four hours of work and two ten-minute rest breaks typically taken two hours after they start work and two hours after they return from lunch.

We also interviewed the employees' supervisor who confirmed that the employees receive a one-hour lunch break and two ten-minute rest breaks. In addition, the supervisor indicated that the employees are aware that they are allowed to take their rest breaks.

Conclusion:

It appears that Advanced appropriately provides their employees with meal and rest periods.

Allegation 8

Advanced does not maintain the required employee time records.

Findings:

The State Industrial Welfare Commission Order No 5-2001 requires the housekeeping industry to maintain accurate employee time records that include when employees begin and end each work period. We reviewed Advanced's employee time records and noted that only the specialty crew employees have the required time records. The janitors, who comprise approximately 80% of Advanced's County contract employees, are paid based on 40 hours per week and not on actual hours worked. The time records for the janitors do not indicate the actual times the employees begin and end each work shift. As a result, Advanced cannot ensure that employees are paid for all hours worked.

County departments need to ensure that Advanced maintains the required employee time records for all of their County contract employees. We will work with ISD, OAAC and the other departments that contract with Advanced to ensure they include this requirement in their contract monitoring.

Conclusion:

Advanced does not maintain required time records for all of their employees.

Allegation 9

Advanced does not provide its employees with vacation time, when it was earned and pre-approved.

Findings:

We reviewed the personnel files and payroll history for the four Advanced employees that worked on County contracts and who made this allegation. Our review noted that, for all four employees, the vacation was either taken or was not earned.

Conclusion:

It appears that Advanced appropriately provided vacation time in accordance with their policy.

Allegation 10

Advanced required its employees to work four ten-hour days a week without the employees voting for the alternative schedule.

Findings:

The State Division of Labor Standards Enforcement substantiated this allegation. As a result, Advanced was required to pay \$11,650 in gross wages to former and current employees. According to Advanced management, they were unaware that they were required to have the employees vote on the new schedule. We confirmed that the employees were changed back to a regular work schedule.

Conclusion

Based on the results of our review, we recommend the four Departments who contract with Advanced work with County Counsel to develop a plan to terminate the contracts, identify replacement contractors and initiate debarment proceedings.

Attached is Advanced's response. Overall, Advanced disagrees with the conclusions in our report. For example, Advanced's response to Allegation 1 indicates that the reason they did not always pay their employees properly for overtime was due to a computer

software problem. As Advanced's response indicates, we reviewed their payroll system. However, our review indicated that the failure to properly pay employees for all overtime was due to how Advanced's payroll staff were entering information into the system and not due to a software problem. Specifically, we noted that Advanced's payroll system allows users to enter the number of hours and the correct pay type (e.g., straight time, overtime, Living Wage straight time and Living Wage overtime, etc.) for the hours. As a result, it appears that the failure to pay employees overtime was due to Advanced's use of the system and not the system itself. This is supported by the fact that during our review of the overtime allegation, we noted some instances where employees were appropriately paid the Living Wage overtime rate.

If you have any questions regarding this report, please contact me or your staff may contact DeWitt Roberts at (626) 293-1101.

JTM:DR:JS:AA

Attachment

c: David E. Janssen, Chief Administrative Officer
Michael Sullivan, Advanced Building Maintenance
Dave Lambertson, Internal Services Department
Richard Shumsky, Probation
Margaret Donnellan Todd, Public Library
Donald L. Wolfe, Public Works
Violet Varona-Lukens, Executive Officer
Public Information Office
Audit Committee

Advanced Building Maintenance Company

10830 E. WHITTIER BLVD
WHITTIER, CALIF. 90606
(562) 695-0711
Fax (562) 692-4720

August 11, 2004

County of Los Angeles
Department of Auditor-Controller
500 West Temple Street, Room 525
Los Angeles, California 90012-2766

Attention: J. Tyler McCauley

Regarding: Letter Drafted

Advanced Building Maintenance Company hereby disputes and disagrees with the County Auditor-Controller's conclusion regarding Advanced compliance with the Living Wage Ordinance. Listed below are our replies to their conclusions.

Allegation 1

Advanced employees alleged that the company did not pay overtime to employees who worked more than eight hours a day.

Conclusion:

Advanced did not always pay their employees properly for overtime.

Advanced Reply:

Advanced computer payroll system has always paid overtime when the employees work more than 8 hrs per day and double time after 12 hours. Your conclusion states that Advanced did not pay properly. It was a computer software glitch that we were not aware. You requested to come back to our office so we could show you how our payroll system works.

On June 28, 2004, the two Auditors (Mike & Sandra) came back to our office and we demonstrated how the payroll system worked. When employees are working at both a County Building and a Non County Building, they are paid at two different hourly rates. If the employee worked over time, the payroll system would automatically default the overtime rate based on Advanced's employee hourly rate.

Your conclusion also stated that employees were appropriately paid the LWO overtime rate. If our employees worked overtime and only worked at County Buildings the system would pay the overtime at the LWO since there were no other rates to be calculated.

This is why we informed the Auditors that we would try to start assigning specific crews to work at County facilities only. However, if they do for some reason work at both a County and Non County Building, we will manually calculate their pay in order to override what the system would default to pay at overtime status if at a County Building.

Allegation 2:

Advanced employees alleged that some employees were paid for overtime hours at a lower rate and were paid those hours with a separate check payable under a different name.

Conclusion:

We were not allowed access to the records necessary to evaluate this allegation.

Advanced Reply:

Access was denied, as it does not apply to Living Wage Compliance. Advanced disputes this allegation and if the County has any specific information substantiating such as allegation, Advanced will immediately investigate and report to the County.

Allegation 3:

Advanced did not pay employees for time spent traveling between job sites.

Allegation 4:

Advanced did not pay its employees the Living Wage rate for travel time.

Conclusion:

Advanced did not pay its employees for travel time.

Advanced Reply:

Advanced refutes this conclusion. Advanced has always paid the specialty crews for traveling time at their regular hourly rate. The LWO does not state that we are required to pay 9.46 for any traveling time when working from job site to job site. The LWO clearly states that we are required to pay the 9.46 while performing work at County Buildings only.

Allegation 5:

Advanced does not perform all required work at County facilities.

Conclusion:

Advanced does not appear to be performing all of the work required by the Library contracts.

Advanced Reply:

Advanced acknowledges that all periodic task may have not been completed at Public Libraries on a timely manner, however Advanced contends that it has been consistently providing satisfactory janitorial services for the past 2 1/2 years. The County has always had the option to terminate the contract for failure to perform. At no time has Advanced been notified of unsatisfactory service or in non-compliance of contract.

Advanced hereby contends that satisfactory service have been provided to the Departments of Public Works, ISD, and Probation for many years.

The monthly reviews required by the County of Los Angeles with the janitorial contractor regarding the above-mentioned departments support our contention.

Allegation 6:

Advanced did not provide employees with the required training and protective equipment for working with toxic chemicals.

Conclusion:

It appears that Advanced is providing its employees with the protective equipment necessary to safely complete their job.

Advanced Reply:

Allegation was unfounded!

Allegation 7:

Advanced did not give employees required meal and rest periods.

Conclusion:

It appears that Advanced appropriately provides their employees with meal and rest periods.

Advanced Reply:

Allegation was unfounded!

Allegation 8:

Advanced does not maintain the required employees time records.

Conclusion:

Advanced does not maintain required time records for all of their employees.

Advanced Reply:

Advanced has been operating the time records this way for the past 20 years and have never had any problems or issues that we were not paying our employees for their time. In order to maintain detailed time cards for each employee we have purchased one of the Winteam's modules called TeleTeam, which will keep track of the hours that the employees are working at each job site. This is done by having the employees call from the building they are cleaning and the system will record their times.

Advanced has permanent time cards for each employees that the system calculates and pays according to what is in the Permanent Timecard. We also were requested by the ISD & Probation Dept to have the employees sign and date the timekeeping hours that they were paid along with their supervisor's signature. We also had Library & Public Works employees do the same and have maintained the reports according to their request.

Allegation 9:

Advanced does not provide its employees with vacation time, when it was earned and pre-approved.

Conclusion:

It appears that Advanced appropriately provided time in accordance with their policy.

Advanced Reply:

Allegation was unfounded!

Allegation 10:

Advanced required its employees to work four ten-hour days a week without the employees voting for the alternative schedule.

Advanced Reply:

This allegation has no bearing to the LWO. Upon notification from the Dept of Labor that we are required to get a vote to change the schedule, we went back to a regular work schedule.

In closing, I would like to mention that of the 10 allegation only 2 were found to be an issue. Advanced did not willfully or intentionally try to conspire any of your findings and will take immediate steps to maintain adequate timekeeping records.

For the past 4 years, we have had on site semi-annually audits from the ISD Dept and to this day have passed and were in compliance to the Living Wage Ordinance.

It is our understanding that the Auditors first recommended to consider debarment of Advanced and now have changed their conclusion to terminate all contracts. Based upon the evidence and findings we believe that terminating and debarment of Advanced is unjustified. We respectfully request a hearing to present our case to the board as soon as possible.

Sincerely,



Michael J. Sullivan
Advanced Building Maintenance Company



Lucy Domingo
Administrator
Advanced Building Maintenance Company